Commonwealth of Virginia

Debt Capacity Advisory Committee

Report to the Governor and General Assembly

December 22, 2000

COMMONWEALTH of VIRGINIA
Office of the Governor

James S. Gilmore, III
Governor

Ronald L. Tillett
Secretary of Finance

December 22, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol, 3rd Floor
Richmond, Virginia 23219

The Honorable Bruce F. Jamerson
Clerk of the House of Delegates
Virginia House of Delegates
State Capitol
Richmond, Virginia 23219

The Honorable Susan Clarke Schaar
Clerk of the Senate
Senate of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor Gilmore, Mr. Jamerson, and Ms. Schaar:

The Debt Capacity Advisory Committee (the "Committee") was established by Executive Order No. 38 in 1991 and was codified by the 1994 General Assembly (Chapter 17, Article 1.1, Sections 2.1-304.7 through 2.1-304.7). The Committee is required to annually review the size and condition of the Commonwealth's tax-supported debt and submit to you an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next two years. In addition, the Committee is required to review annually the Commonwealth's moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. We are pleased to present our tenth annual report.

The Debt Capacity Model

In this report, we reaffirm our use of the Debt Capacity Model as the means of calculating the Commonwealth's tax-supported debt affordability. The Model calculates the maximum amount of incremental debt that may be prudently issued by the Commonwealth over the next ten years. The Model uses the ratio of tax-supported debt service as a percentage of revenues as its base calculation. We reaffirm that the ratio of debt service as a percentage of revenues should be no greater than 5%. In our view, 5% is the maximum ratio consistent with maintaining the current premier credit ratings on the Commonwealth's debt. The Debt Capacity Model is attached as Exhibit A.

The concept of debt capacity management and the 5% maximum ratio were introduced in *An Assessment of Debt Management in Virginia*, a report issued by the Secretary of Finance in December 1990. The report also recommended the creation of the Debt Capacity Advisory Committee. The Debt Capacity Advisory Committee adopted the 5% maximum measure in 1991 and has fully endorsed this ratio every year since that time. The credit ratings assigned to the Commonwealth's obligations are, in part, based upon its sound debt management policies. In a report issued in October of this year, the rating agency Fitch, Inc. specifically referenced the Commonwealth's conservative financial and debt management policies in determining its ratings, as follows:

> "Virginia's outstanding general obligation bonds are rated 'AAA' by Fitch based on the commonwealth's substantial resources, conservative approach to financial operations, and careful attention to the level and security of its debt obligations, although non-general obligation debt has been and will continue increasing." (*Fitch, Inc., New Issue Ratings Report, October 31, 2000*)

In 2000, the Committee reviewed the criteria that govern which liabilities are included in the Model. Certain liabilities classified for accounting purposes as tax-supported debt and shown as such in the Commonwealth's Comprehensive Annual Financial Report (CAFR) do not meet the Committee's criteria for inclusion in the Model. These items include compensated absences, pension liabilities and other liabilities as shown on pages 5 and 8 of Exhibit C. The criteria are included along with other assumptions and variables included in the Model on pages 2 through 4 of Exhibit A. The Model incorporates the official revenue estimates contained in the Governor's proposed budget submitted December 20, 2000.

Moral Obligation or Contingent Liability Debt and Other Findings

The Committee also reviewed outstanding moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. The Committee reconfirmed that the Commonwealth is not unique in its use of moral obligation debt, as a number of other state issuers utilize the moral obligation pledge. The Committee reviewed the types of programs, statutory caps, outstanding amounts, and other financial data for certain other states that utilize moral obligation bond programs and compared these to Commonwealth issuers. The three issuers in the Commonwealth that use the moral obligation pledge are the Virginia Housing Development Authority, the Virginia Public School Authority and the Virginia Resources Authority. Each of these issuers' outstanding moral obligation debt is currently within their statutory limit. The Virginia Resources Authority intends to request additional moral obligation debt authorization in the 2001 Session as discussed below.

The Virginia Resources Authority will continue to issue moral obligation bonds under its current programs to provide low-cost financing to localities for water, wastewater, solid waste and storm water projects. Pursuant to legislation adopted during the 2000 Session, the Authority has developed an Airport Revolving Fund and moral obligation-backed bond program to provide financing for airport projects. The Committee was provided with the Airport Financing Guidelines developed by the Authority in conjunction with the State Treasurer and Treasury staff.

The Authority briefed the Committee on its moral obligation programs at the Committee's September 14, 2000 meeting, and provided additional information regarding its moral obligation capacity constraints at the Committee's meeting on December 20, 2000. A copy of the presentation materials is attached as Exhibit E. The Authority has experienced unprecedented demand for its financing programs due to a combination of external factors and changes to the financing programs themselves. The Board of the Authority has determined to request additional moral obligation debt authorization in the 2001 Session that would raise the statutory limit to $900 million from $550 million.

The Virginia Public School Authority initiated a new primary issuance program in 1997 and does not expect to issue additional moral obligation bonds. The Virginia Housing Development Authority established a new multi-family housing program in 1999 that does not carry the Commonwealth's moral obligation pledge and it expects to issue all of its multi-family housing bonds under the new indenture.

The Virginia Public School Authority is the only issuer of non-tax-supported debt that utilizes a sum sufficient appropriation as an additional credit enhancement. This represents a contingent liability for the Commonwealth. This program was developed by the Authority in 1997 and has received the highest double-A ratings available from each of the three major rating agencies. The Virginia Public School Authority was also authorized in the 2000 Appropriation Act to issue Equipment Technology Notes utilizing the sum sufficient appropriation. The first issue of notes under this new program is expected to occur in spring 2001.

Information on the amount of outstanding debt, statutory limits and debt ratings for moral obligation debt, and other debt for which the Commonwealth has a contingent or limited liability is shown in Exhibit D. Sensitivity analyses are also included, which demonstrate the impact on tax-supported debt capacity resulting from the conversion of moral obligation debt to tax-supported debt. The sensitivity analyses are prepared using worst case scenarios showing the impact of the conversion of all moral obligation debt. If any such debt were ever converted, however, it would occur on an issue by issue basis. Conversion would occur if the General Assembly appropriated funds to replenish a debt service reserve fund shortfall if requested by a moral obligation issuer. For example, an issuer would request that the Governor and General Assembly replenish the debt service reserve fund if, in the event of a default on the underlying revenue stream, the issuer was forced to draw on the debt service reserve fund to pay debt service. Given the structure of the Commonwealth's moral obligation bond programs, such an occurrence is unlikely.

The Committee was briefed at its September 14, 2000 meeting by the Deputy Secretary of Transportation on the Commonwealth's securitization of federal highway reimbursements under the Federal Highway Reimbursement Anticipation Notes ("FRANs") program authorized by the Virginia Transportation Act of 2000. A copy of the presentation is attached as Exhibit F. FRANs do not constitute tax-supported debt of the Commonwealth for the purposes of determining debt capacity.

Finally, the Committee reviewed the current and historical debt position of the Commonwealth. Part of this review included other authority debt not supported by taxes. Certain data included in Exhibit C summarize information considered by the Committee.

Recommendations

Historically, Virginia has followed a capital budgeting and approval process in which projects and the financing thereof have been approved during the even-year General Assembly Session during which a new biennial budget is adopted. The budget is amended, if necessary, during the odd- or second year. The Committee therefore has provided the following amounts for current biennium since this report coincides with the 2001 General Assembly Session during which amendments to the 2000-2002 budget will be considered.

1. Model Results – Tax-Supported Debt Authorization:

The Committee believes that based upon the Debt Capacity Model:

- A maximum of $698.0 million of tax-supported debt could prudently be authorized by the 2001 Session of the General Assembly; and

- A maximum of $698.0 million of tax-supported debt could prudently be authorized by the 2002 Session of the General Assembly.

This maximum amount of authorization is above and beyond the tax-supported debt currently authorized but unissued, most of which is assumed to be issued at some point in the future. The increase in debt capacity over the amounts recommended in the 1999 Report is mainly attributable to two variables:

- Continued growth in revenues due to a diversified Virginia economy; and

- Limited authorization of additional tax-supported debt during the 2000 General Assembly Session.

The Committee notes that the average interest rates used in the Debt Capacity Model have increased by approximately thirty basis points, or nearly one-third percentage point, since the December 1999 Report. The Bond Buyer 11 Index is the benchmark index used in the Model. The Model uses the average of the Bond Buyer 11 Index for the last eight quarters as its base interest rate for authorized but unissued general obligation bonds and adds an additional fifty basis points for non-general obligation bonds. The Committee notes that the effect of interest rate movements over any one year is mitigated since the base rate is an average of the last eight quarters.

The Committee recognizes that it cannot predict the future level of interest rates or the pace of revenue growth and recognizes the sensitivity of the Model results to such factors. Attached as Exhibit B are sensitivity analyses that demonstrate the impact on the Model of changes in external factors such as interest rates and revenues, or internal factors such as excess capacity. The Model calculates the maximum amount of tax-supported debt that could be prudently authorized over the next biennium based on the assumptions incorporated in the Model. It does not constitute a recommendation of the Committee that such amount actually be authorized. In the opinion of the Committee, authorizations for debt issuance in excess of this amount could result in the Commonwealth exceeding the maximum ratio of 5%. Exhibit C contains narrative and tables, which summarize information regarding the Committee and tax-supported debt.

The Committee makes no recommendations as to which projects, if any, should be chosen for debt financing or how they should be prioritized. These decisions are most appropriately made through the budgetary and legislative processes.

2. Consider Eliminating Authorizations Not Likely to be Issued:

The Committee endorses the efforts of the General Assembly and the Governor to continue to rescind authorization for projects that is not likely to be used. The Committee recommends that unnecessary authorizations continue to be identified and rescinded, as appropriate.

3. Alternative Financing of State Projects:

We continue to support the use of traditional financing vehicles such as the Virginia Public Building Authority and the Virginia College Building Authority for financing state projects as opposed to capital lease-supported transactions. Certain state projects have been financed in the past using local and special purpose authorities, such as industrial development authorities or redevelopment and regional housing authorities. Due to the structure of such financings, they may result in higher financing costs than if the financing had been completed through an established state program. In such cases, the Commonwealth is not in control of the process although it is responsible for debt service payments over the life of the bonds. Such bonds are normally considered tax-supported debt and are included in the Model.

4. Moral Obligation and Contingent Liability Debt:

We make no specific recommendation on the programs or levels of the statutory caps for the three issuers currently utilizing the moral obligation pledge of the Commonwealth. We recognize the need of the Virginia Resources Authority to increase its moral obligation statutory limit and that the increase is consistent with prudent debt management practices. In the opinion of the committee, the proposed increase in the Virginia Resource Authority's statutory limit would not negatively impact the Commonwealth's general obligation credit ratings.

Conclusion

We trust this report and our recommendations are useful as we move forward together into the 2001 Session of the General Assembly. It has been our pleasure to advise you in including the concepts of debt affordability and debt capacity management into the Commonwealth's debt management programs. The Commonwealth of Virginia has become an acknowledged leader among states in the area of debt capacity management, and is repeatedly held out as an example of how the process should work.

Sincerely,

Ronald L. Tillett, Chairman

Walter W. Craigie

David T. Ralston, Jr.

Mary G. Morris

Philip A. Leone

Walter J. Kucharski

Scott D. Pattison

Attachments

Exhibit A

The Debt Capacity Model

Commonwealth Debt

- Rating agencies view control of tax-supported debt as one of four key factors affecting credit quality.

  - control of debt burden
  - economic vitality and diversity
  - fiscal performance and flexibility
  - administrative capabilities of government

- Virginia's goal is to maintain AAA/Aaa/AAA ratings for General Obligation debt.

  - Commonwealth's "AAA" rating reaffirmed by Fitch, Moody's (September 1999) and Standard & Poor's (August 2000)

- Definition of tax-supported debt.

  - debt service payments made or ultimately pledged to be made from general government funds
  - corresponds with rating agency definition
  - contrast with debt not supported by taxes such as moral obligation debt

Debt Capacity Model

General Observations and Assumptions

- Virginia's Debt Affordability Model:
  - Debt Affordability Measure

    $$\frac{\text{Tax-Supported Debt Service}}{\text{Revenues}} \leq 5\%$$
  - 10-year issuance period
  - Incorporates currently authorized but unissued debt
  - Blended revenue growth rate
  - Term and structure:
    - 20-year bonds
    - Assumed interest rate of 5.51% for 9(b) and 9(c) General Obligation debt. 9(d) debt has an assumed interest rate of 6.01%.
    - Level debt service (except 9(b) debt)
    - 9(b) General Obligation debt is amortized on a level principal basis
  - Actual debt service of all issued tax-supported debt, including capital leases, installment purchases and regional jail reimbursement agreements (see page A-3 for liability inclusion criteria).
  - Blended Revenues:
    - General fund revenues and state revenues in Transportation Trust Fund added together, plus transfers of ABC and Lottery profits, plus revenue equal to debt service on outstanding 9(c) debt.
  - Interest Rates:
    - Assumed issuance of authorized but unissued tax-supported debt and associated debt service, computed using estimated interest rates based on the average of the last eight quarters of The Bond Buyer 11 Bond Index for general obligation debt 9(b) and 9(c), and a 50 basis point higher rate for 9(d) debt.

Debt Capacity Model
General Observations and Assumptions

Debt Capacity Advisory Committee
Liabilities included in the Debt Capacity Model

1) Outstanding tax-supported debt as determined by the DCAC.

- General obligation bonds (Section 9(a), 9(b), and 9(c)).
- Obligations issued by the Commonwealth Transportation Board or Virginia Port Authority that are secured, in whole or in part, by the Transportation Trust Fund.
- Obligations issued by the Virginia Public Building Authority and the Virginia College Building Authority secured, in whole or in part, by general fund appropriations.
- Obligations payable under regional jail Reimbursement Agreements between the Treasury Board and localities, regional jail authorities or other combination of localities.
- Capital leases (80% of total of first year amounts in Commonwealth CAFR for both primary government and component units).
- Installment purchases (80% of total of first year amounts in Commonwealth CAFR for both primary government and component units).
- Obligations for which the debt service is paid from amounts representing payments received from the Commonwealth on a capital lease.

2) Authorized but unissued tax-supported debt as determined by the DCAC.

- The issuance of obligations to fund a project(s) must be authorized by an Act of the General Assembly (either an Act specifically authorizing the issuance of debt, or Appropriation Act language) with no contingency for subsequent General Assembly approval. If obligations are authorized but will require further action by the General Assembly before they can be issued, then such obligations will not be included in the Model. The practical application of this rule will be that if debt can be issued for a project without any further action on the part of the General Assembly, such debt will be considered as authorized for issuance.

Debt Capacity Model
General Observations and Assumptions

Debt Capacity Advisory Committee
Liabilities included in the Debt Capacity Model

3) That portion of outstanding moral obligation debt for which the underlying debt service reserve fund has been utilized to pay all or a portion of debt service and for which the General Assembly has appropriated funds to replenish all or a portion of such debt service reserve fund as requested by the moral obligation issuer.

- In the event that a moral obligation issuer has experienced an event of a default on the underlying revenue stream and such issuer has been forced to draw on the debt service reserve fund to pay debt service, the Committee shall immediately meet and review the circumstances surrounding such event and report its findings to the Governor and the General Assembly.

- In the event this section is invoked, the Committee's Report to the Governor and General Assembly shall include, one Model scenario showing annual tax-supported debt capacity without inclusion of the moral obligation debt (or portion thereof) in question.

- Inclusion of the debt in the Model is in no way intended to bind the Governor or General Assembly to make future appropriations to replenish future draws on such debt service reserve fund(s).

- The subject debt will be removed from the Model once the General Assembly has not appropriated funds to replenish such debt service reserve fund(s).

Debt Capacity Model

Currently Authorized Tax-Supported Debt Issuance Assumptions* (Dollars in Millions)

	9(c) Higher Education	VPBA Projects	VPBA Jails	VCBA 21st Century Equipment	VCBA 21st Century Projects	9(d) Transportation	Biotech	Other Long-Term Obligations[1]	Total
Authorized & Unissued as of December 31, 2000	$131.8	$49.8	$30.1	$99.1	$25.3	$333.4	$48.0	$23.7	$741.2
Assumed Issued[2]:									
FY 2001	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FY 2002	32.9	18.3	30.2	49.3	25.3	156.3	48.0	0.0	360.2
FY 2003	32.9	0.0	0.0	49.8	0.0	162.2	0.0	23.7	268.6
FY 2004-2009	66.0	0.0	0.0	0.0	0.0	14.9	0.0	0.0	80.9
Total	$131.8	$18.3	$30.2	$99.1	$25.3	$333.4	$48.0	$23.7	$709.7
Authorized Debt Assumed Unissued	$0.0	$31.5 [3]	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$31.5

(1) Other Long-Term Obligations includes capital lease/lease revenue project: Public Broadcasting Digital Conversions

(2) Debt is assumed issued when the first full year of debt service is paid.

(3) Projects to be funded with refunded reserve fund proceeds and excess interest earnings.

* Numbers may not add to totals due to rounding. Does not include Tax-Exempt Commercial Paper.

Debt Capacity Model

DEBT CAPACITY MODEL
(Dollars in Millions)
December 31, 2000

Debt Capacity Maximum Ratio
Debt Service as a % of Revenue = **5.0%**

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
Fiscal Year	Revenues	Overall Capacity to Pay Debt Service	Annual Payments for Debt Service on Debt Issued	Annual Payments for Debt Service on All Planned Debt Issuances	Net Capacity to Pay Debt Service	Amount of Additional Debt that may Be Issued	Debt Service on the Amount of Additional Debt that may Be Issued	Remaining Capacity to Pay Debt Service	Total Debt Service as a % of Revenues
Actual 1996	8,203.92	410.20	254.90	N/A	155.30	N/A	N/A	155.30	3.11%
Actual 1997	9,088.43	454.42	274.25	N/A	180.17	N/A	N/A	180.17	3.02%
Actual 1998	9,753.64	487.68	317.53	N/A	170.15	N/A	N/A	170.15	3.26%
Actual 1999	10,728.92	536.45	325.48	N/A	210.96	N/A	N/A	210.96	3.03%
Actual 2000	11,875.81	593.79	344.43	N/A	249.36	N/A	N/A	249.36	2.90%
2001	12,541.92	627.10	369.81	46.37	210.91	**$0.00**	0.000	210.91	3.32%
2002	13,366.45	668.32	375.64	84.90	207.78	**698.00**	61.067	146.71	3.90%
2003	13,882.70	694.14	353.79	115.45	224.89	**698.00**	122.135	102.76	4.26%
2004	14,727.92	736.40	340.77	118.20	277.42	**698.00**	183.202	94.22	4.36%
2005	15,569.99	778.50	311.26	122.04	345.20	**698.00**	244.269	100.94	4.35%
2006	16,452.43	822.62	296.17	122.04	404.41	**698.00**	305.337	99.07	4.40%
2007	17,417.43	870.87	293.07	110.63	467.17	**698.00**	366.404	100.76	4.42%
2008	18,390.15	919.51	291.54	99.12	528.84	**698.00**	427.472	101.37	4.45%
2009	19,413.10	970.66	288.90	99.13	582.62	**698.00**	488.539	94.09	4.52%
2010	20,495.28	1,024.76	266.11	99.12	659.53	**698.00**	549.606	109.92	4.46%

10 Year Average:	$628.20	Excess Capacity:	$1,256.40

[1] Revenues include the actual fiscal year revenues per the Annual Reports of the Comptroller (1996-2000); and the Official and December Forecast of General Fund, transfers from the Virginia Lottery, the Alcoholic Beverage Control Board, dated December 20, 2000; and, certain revenues from the Transportation Trust Fund official revenue forecasts as of December 20, 2000 and revenue equal to debt service on outstanding 9(c) debt.

[2] Overall Capacity to Pay Debt Service equals 5% of the Revenues listed in Column [1].

[3] Equals the annual payments of principal and interest for all currently outstanding tax-supported debt issued through June 30, 2000 plus fiscal year 2001 issuances as of December 31, 2000.

[4] Equals the annual estimated payments of principal and interest for all currently authorized tax-supported debt planned for issuance within the next ten fiscal years. See Assumed Issuances of Currently Authorized But Unissued Tax-Supported Debt. Also includes debt service for long-term capital leases, installment purchase obligations and regional jail reimbursements.

[5] Equals the amount of revenue available to pay debt service after principal and interest on all currently outstanding and all planned issuances of tax-supported debt has been paid. Column [2] - Column [3] - Column [4].

[6] Equal to annual amount of additional principal that may be issued without violating the parameters of the model.

[7] Equal to annual amount of principal and interest to be paid on Column [6].

[8] Equals Column [5] minus Column [7].

[9] Equals the sum of all debt service payments divided by Revenues. (Column [3]+Column [4]+Column [7])/Column [1].

Debt Capacity Model

DEBT CAPACITY MODEL

REVENUE DATA

(Dollars In Millions)

Fiscal Year	General Fund		Transportation Trust Fund		General Fund Growth		Transportation Trust Fund Growth		ABC Profit Transfer		Lottery Profit Transfer		Revenues Sufficient to Pay 9(c) Debt Service Outstanding	Revenues Sufficient to Pay New 9(c) Debt Service	Total Revenue[14]	Blended Revenue Growth Rate [15]
Actual 1992	5,623.21	(1)	425.37	(12)	1.27%	(1)	1.24%	(12)	23.73	(1)	290.80	(1)	N/A	N/A	6,363.12	1.22%
Actual 1993	6,134.57	(2)	450.72	(12)	9.09%	(2)	5.96%	(12)	26.82	(2)	297.00	(2)	N/A	N/A	6,909.11	8.58%
Actual 1994	6,503.76	(3)	494.30	(12)	6.02%	(3)	9.67%	(12)	20.73	(3)	303.50	(3)	N/A	N/A	7,322.29	5.98%
Actual 1995	6,881.12	(4)	546.50	(12)	5.80%	(4)	10.56%	(12)	19.01	(4)	311.60	(4)	N/A	N/A	7,758.23	5.95%
Actual 1996	7,283.56	(5)	561.76	(12)	5.85%	(5)	2.79%	(12)	26.00	(5)	332.60	(5)	N/A	N/A	8,203.92	5.74%
Actual 1997	8,133.55	(6)	588.08	(12)	11.67%	(6)	4.69%	(12)	23.80	(6)	343.00	(6)	N/A	N/A	9,088.43	10.78%
Actual 1998	8,811.04	(7)	603.00	(12)	8.33%	(7)	2.54%	(12)	20.70	(7)	318.90	(7)	N/A	N/A	9,753.64	7.32%
Actual 1999	9,737.70	(8)	643.82	(12)	10.52%	(8)	6.77%	(12)	25.50	(8)	321.90	(8)	N/A	N/A	10,728.92	10.00%
Actual 2000	10,831.53	(9)	689.78	(12)	11.23%	(9)	7.14%	(12)	30.20	(17)	324.30	(17)	N/A	N/A	11,875.81	10.69%
2001	11,401.30	(10)	728.52	(12)	5.26%	(10)	5.62%	(12)	27.40	(10)	314.00	(10)	70.70	0.00	12,541.92	5.61%
2002	12,198.90	(10)	755.51	(12)	7.00%	(10)	3.71%	(12)	27.80	(10)	314.10	(10)	67.38	2.76	13,366.45	6.57%
2003	12,587.40	(10)	888.19	(12)	3.18%	(10)	17.56%	(12)	26.60	(10)	311.30	(10)	63.69	5.52	13,882.70	3.86%
2004	13,393.30	(10)	929.47	(12)	6.40%	(10)	4.65%	(12)	27.00	(10)	308.60	(10)	61.27	8.28	14,727.92	6.09%
2005	14,201.40	(10)	966.60	(12)	6.03%	(10)	4.00%	(12)	27.00	(10)	308.60	(10)	55.33	11.06	15,569.99	5.72%
2006	15,048.30	(10)	1,005.22	(12)	5.96%	(10)	4.00%	(12)	27.00	(10)	308.60	(10)	52.24	11.06	16,452.43	5.67%
2007	15,954.40	(10)	1,066.19	(13)	6.02%	(10)	6.07%	(13)	27.00	(10)	308.60	(10)	50.18	11.06	17,417.43	5.87%
2008	16,862.92	(11)	1,130.86	(13)	5.69%	(11)	6.07%	(13)	27.00	(16)	308.60	(16)	49.71	11.06	18,390.15	5.58%
2009	17,823.18	(11)	1,199.44	(13)	5.69%	(11)	6.07%	(13)	27.00	(16)	308.60	(16)	43.81	11.06	19,413.10	5.56%
2010	18,838.13	(11)	1,272.19	(13)	5.69%	(11)	6.07%	(13)	27.00	(16)	308.60	(16)	38.30	11.06	20,495.28	5.57%

(1) Annual Report of the Comptroller, FY 92.
(2) Annual Report of the Comptroller, FY 93.
(3) Annual Report of the Comptroller, FY 94.
(4) Annual Report of the Comptroller, FY 95.
(5) Annual Report of the Comptroller, FY 96.
(6) Annual Report of the Comptroller, FY 97.
(7) Annual Report of the Comptroller, FY 98.
(8) Annual Report of the Comptroller, FY 99.
(9) Annual Report of the Comptroller, FY 2000.
(10) Official and December Standard General Fund Forecast for FY 2001-2007 (December 20, 2000), including revenues from Master Tobacco Settlement Agreement.
(11) Derived using average GF growth rate for FY 2001-2007
(12) Department of Motor Vehicles.
(13) Derived using average TTF 10-year (1997-2006) growth rate for FY 2007-2010.
(14) Total Revenue=GF+TTF+ABC+Lottery+Existing 9(c) Revenues equivalent to corresponding 9(c) debt service + Estimated 9(c) Revenues.
(15) Blended Revenue Growth Rate=(Current FY Total Revenue/Prior FY Total Revenue)-1.
(16) FY 2008 - 2010 based on FY 2001-2007 Forecasts (per December Standard General Fund Forecast, December 20, 2000).
(17) FY 2000 General Fund Collections: Actual and Forecast (8/21/2000 Governor's Report)

Debt Capacity Model

Annual Debt Service Requirements and Other Long-Term Obligations
Outstanding As of June 30, 2000 Plus Fiscal Year 2001 Issuance Through December 31, 2000
(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)	Other Tax-Supported Debt Section 9(d)	Capital Lease and Installment Purchases	Regional Jail Reimbursements	Other Authorized Capital Lease Projects	Debt Service on Planned Issuances	Debt Service on Unallocated Debt Capacity	GRAND TOTAL
2001	$ 132,707	238,584	$42,003	$3,635	$0	$0	$0	$416,929
2002	133,166	249,266	42,003	3,631	0	38,529	61,067	527,663
2003	126,473	232,611	42,003	3,630	2,073	69,067	122,135	597,993
2004	122,498	223,566	42,003	3,637	2,073	71,827	183,202	648,806
2005	114,993	201,554	42,003	3,634	2,073	75,664	244,269	684,191
2006	110,339	191,122	42,003	3,634	2,073	75,667	305,337	730,176
2007	106,654	191,710	42,003	3,635	2,073	64,259	366,404	776,738
2008	104,539	192,295	42,003	3,633	2,073	52,752	427,472	824,766
2009	97,066	197,132	42,003	3,630	2,073	52,752	488,539	883,194
2010	89,910	181,494	42,003	3,634	2,073	52,752	549,606	921,472
TOTAL	$1,138,345	$2,099,333	$420,032	$36,333	$16,584	$553,268	$2,748,031	$7,011,927

The Debt Capacity Model

Parameters of the Model

(1) **Revenues** includes all general fund revenues (exclusive of transfers), ABC and Lottery profits transferred to the general fund, state tax revenues in the Transportation Trust Fund and revenue equal to debt service on outstanding 9(c) debt.

(2) **Overall Capacity to Pay Debt Service** is calculated as the product of the Debt Capacity Maximum Ratio and Revenues. It represents the maximum level of debt service allowed given the 5% debt service/revenues ratio. [Column 2 = Column 1 x .05]

(3) **Annual Payments for Debt Service on Debt Issued** is actual debt service on all tax-supported debt outstanding at the end of the most recent fiscal year and on any issuance to date since fiscal year end.

(4) **Annual Payments for Debt Service on All Planned Debt Issuances** is the estimated amount of debt service for currently authorized and unissued tax-supported debt assumed to be issued within the ten-year period.

(5) **Net Capacity to Pay Debt Service** is Overall Capacity to Pay Debt Service less Annual Payments for Debt Service on Debt Issued and Annual Payments for Debt Service on All Planned Debt Issuances. [5= 2-3-4]

(6) **Amount of Additional Debt that May Be Issued** is the amount of additional tax-supported debt (above and beyond that which is currently authorized but unissued) that may be issued in any given year without exceeding Overall Capacity to Pay Debt Service.

The Debt Capacity Model (continued)

Parameters of the Model

(7) **Debt Service on the Amount of Additional Debt that May Be Issued** is the estimated amount of debt service for the Additional Debt that may be Authorized and Issued.

(8) **Remaining Capacity to Pay Debt Service** is Net Capacity to Pay Debt Service less Debt Service on the Amount of Additional Debt that may be Authorized and Issued. [8=5-7]

(9) **Total Debt Service as a % of Revenues** is the sum of Annual Payments for Debt Service on Debt Issued, Annual Payments for Debt Service on All Planned Debt Issuances and Debt Service on the Amount of Additional Debt that may be Authorized and Issued, divided by Revenues. [9=(3+4+7)/1].

- Model solves for annual capacity, above and beyond authorized amounts assumed issued for the next ten fiscal years at the 5% debt service/revenues level over a ten-year period.

  $698.00 million is equal annual issuance capacity.

  - debt service/revenues ratio rises to a maximum of 4.52% in FY 2009
  - projected issuance never reaches 5% capacity due to two years excess capacity at end of ten-year period

- Two years of excess capacity is a function of conservatism.

Exhibit B

The Debt Capacity Model Sensitivity Analysis

The Debt Capacity Model Sensitivity Analysis

Excess Capacity Sensitivity

- Model solution provides for two years of excess capacity remaining at end of the 10-year period which results in the following annual debt capacity:

2 Year Excess Capacity	**$698.00 million**

- If the Model solution is altered to reduce the two years of excess capacity, the following annual debt capacity figures are produced:

1 Year Excess Capacity	**$761.45 million**
No Excess Capacity	**$831.04 million**

Revenue Sensitivity

- If the Model solution is altered to increase or decrease revenues, the following incremental annual debt capacity changes are produced:

For each change of $100 million per year	**$ 5.29 million**
For each 1% change per year of General Fund Revenues	**$14.27 million**

Interest Rate Sensitivity

- If the Model solution is altered to change interest rates, the following annual debt capacity figures are produced:

Add 100 basis points to rate	**$640.31 million**
Subtract 100 basis points from rate	**$763.58 million**

Exhibit C

Background Information

Background

Creation of the Debt Capacity Advisory Committee was recommended in *An Assessment of Debt Management in Virginia*, December 1990. The Committee was originally created in September 1991, by Executive Order #38. The Committee was subsequently codified under Chapter 43 of the 1994 Virginia Acts of Assembly, as amended.

The Committee's mandate is to annually review the size and condition of the Commonwealth's tax-supported debt and submit to the Governor and the General Assembly before January 1, an estimate of the maximum amount of new tax-supported debt that prudently may be authorized for the next biennium (Section 2.1-304.3 Code of Virginia). This estimate is advisory and in no way binds the Governor or the General Assembly.

In developing its annual estimate and in preparing its annual report, the Committee shall, at a minimum, consider:

- the amount of tax-supported debt that, during the next fiscal year and annually for the following nine fiscal years, will be outstanding and the amount of tax-supported debt which has been authorized but not yet issued;
- a projected schedule of affordable, state tax-supported debt authorizations for the next biennium;
- projected debt service requirements during the next fiscal year and annually for the following nine fiscal years based on existing outstanding debt, previously authorized but unissued debt, and projected debt authorizations;
- the criteria that recognized bond rating agencies use to judge the quality of Commonwealth bond issues;

Background (Continued)

- any other factor that is relevant to (i) the ability of the Commonwealth to meet its projected debt service requirements for the next two fiscal years; (ii) the ability of the Commonwealth to support additional debt service in the upcoming biennium; (iii) the requirements of the statewide capital plan; and (iv) the interest rate to be borne by, the credit rating on, or any other factor affecting the marketability of such bonds; and
- the effect of authorizations of new tax-supported debt on each of the considerations listed above.

The Committee is also required to annually review the amount and condition of moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability and make recommendations to ensure the prudent use of such obligations.

In addition, the Committee is also required to review the amount and condition of Commonwealth obligations that are not general obligations or moral obligations, and when appropriate, recommend limits on such additional obligations to the Governor and to the General Assembly.

During the 1997 General Assembly Session, two specific sports facility authorities were provided access to certain additional tax revenues. The legislation provides that if the State Treasurer, with the concurrence of the Committee, finds that obligations issued to finance such facilities would be tax-supported debt or impact the Commonwealth's credit ratings, the obligations must be authorized by the General Assembly. The provisions sunset on January 1, 2002.

All Commonwealth debt-issuing agencies, institutions, boards, and authorities are required to provide to the State Treasurer quarterly reports containing information which the Committee deems necessary for it to carry out its required duties.

Review of the December 1999 Report

The Committee issued its eighth annual report to the Governor and the General Assembly on December 31, 1999. The report addressed the following issues:

- Reaffirmed the use of debt service on tax-supported debt and related long-term obligations as a percentage of revenues as the debt affordability measure used in Virginia's Debt Capacity Model. In addition, reaffirmed a maximum ratio of debt service as a percentage of revenues of 5%.

- Concluded that the Commonwealth could issue approximately $671 million of tax-supported debt in each year from fiscal year 2001 through fiscal year 2009 above and beyond tax-supported debt already outstanding or authorized, while still holding the ratio to tax-supported debt service as a percentage of revenues below 5%.

- Recommended that a maximum of $671 million of tax-supported debt could be prudently authorized by the 2000 and 2001 Sessions of the General Assembly, representing a maximum authorized amount of $1.34 billion for the biennium.

- Made no recommendation as to which projects, if any, should be chosen for debt financing or how they should be prioritized. Reaffirmed that this decision was most appropriately made through the budgetary and legislative processes.

- Continued to recommend that Cabinet Secretaries work with the Secretary of Finance to develop a proposal for rescinding unnecessary authorizations for consideration in the 2000 General Assembly Session.

Review of the December 1999 Report (Continued)

- Continued to recommend the use of financing processes which promote the lowest possible cost of funds to the Commonwealth by by utilizing traditional financing vehicles such as the Virginia Public Building Authority and the Virginia College Building Authority whenever appropriate.

- Reviewed outstanding moral obligation debt and other debt for which the Commonwealth has a contingent or limited liability. The Committee reconfirmed that the Commonwealth is not unique in its use of moral obligation debt, as a number of other state issuers utilize the moral obligation pledge. The Committee continued to review the types of programs, statutory caps, outstanding amounts and other financial data for certain other states that utilize moral obligation bond programs and compared these to Commonwealth issuers. The Committee recommended no changes to programs or levels of statutory caps for the three issuers currently utilizing the moral obligation pledge of the Commonwealth.

- Reviewed the financing aspects of the Governor's transportation proposals expected to be submitted to the 2000 General Assembly including the securitization of a portion of the Commonwealth's anticipated payments from the Master Settlement Agreement with tobacco manufacturers and the Grant Anticipation Revenue Vehicles (GARVEES).

Commonwealth Debt

(Dollars in Thousands)

	As of June 30, 2000	As of June 30, 1999
Tax-Supported Debt		
9(b) General Obligation [1]	$ 520,705	$ 534,765
9(c) General Obligation - Higher Education	380,332	387,963
9(c) General Obligation - Transportation	134,144	141,541
9(c) General Obligation - Parking Facilities	11,010	11,660
Commercial Paper	0	33,000
Commonwealth Transportation Board	943,625	736,960
Virginia Public Building Authority	1,049,984	965,886
Virginia Port Authority	102,655	106,805
Virginia College Building Authority - Equipment	58,615	83,045
Virginia College Building Authority - 21st Century	213,845	165,145
Innovative Technology Authority	11,656	12,195
Virginia Biotechnology Research Park Authority	29,195	30,115
Transportation Notes Payable	12,325	12,325
Capital Leases	242,427	246,215
Installment Purchases	54,681	54,171
Regional Jail Reimbursement Agreements	59,671	62,635
Compensated Absences [2]	462,387	423,753
Pension Liability [2]	263,038	210,896
Other Liabilities [2]	5,318	2,882
Total Tax Supported Debt	$ 4,555,613	$ 4,221,957
Debt Not Supported By Taxes [2]		
Moral Obligation / Contingent Liability Debt		
Virginia Resources Authority	$ 454,179	$ 326,641
Virginia Housing Development Authority	1,438,838	1,503,910
Virginia Public School Authority - 1991 Resolution	487,282	514,487
Virginia Public School Authority - 1997 Resolution	769,620	600,995
Total Moral Obligation/Contingent Liability Debt	$ 3,149,919	$ 2,946,033
Other Debt Not Supported By Taxes		
9(d) Higher Education	$ 376,113	$ 390,738
Virginia College Building Authority - Pooled Bond Program	172,575	105,180
Virginia College Building Authority - Private College Program	273,440	280,750
Virginia Public School Authority - 1987 Resolution	381,450	436,880
Virginia Public School Authority - Stand Alone Program	147,615	147,970
Virginia Public School Authority - Equipment Notes	119,475	83,110
Virginia Public School Authority - 1990 Insured Resolution	21,920	23,770
Virginia Housing Development Authority	4,002,449	4,364,424
Virginia Port Authority	94,975	96,555
Virginia Equine Center	6,305	6,930
Medical College of Virginia Hospitals Authority	87,480	93,040
Hampton Roads Sanitation District	166,860	179,752
Virginia Biotechnology Research Park Authority	16,240	16,750
Pocahontas Parkway Association Bonds	393,238	381,706
Notes Payable	176,016	112,187
Other Long-Term Debt	28,581	18,014
Total Other Debt Not Supported By Taxes	$ 6,464,732	$ 6,737,756
Total Debt of the Commonwealth	$ 14,170,264	$ 13,905,746

Source: Department of the Treasury and Department of Accounts

[1] Voter approved

[2] **NOT INCLUDED IN DEBT CAPACITY MODEL**

Tax-Supported Debt Issuances in Fiscal Year 2001
As of December 31, 2000

Issuer	Date Issued	Amount
Industrial Development Authority of the City of Newport News, Virginia, Industrial Development Revenue Bonds (Virginia Advanced Shipbuilding and Carrier Integration Center) Series 2000	July 27, 2000	$42,490,000
TOTAL		$42,490,000

Federal Highway Revenue Anticipation Notes (FRANs)
Issuance in Fiscal Year 2001
As of December 31, 2000

Issuer	Date Issued	Amount
Commonwealth Transportation Board	November 1, 2000	$375,000,000
TOTAL		$375,000,000

FRANs do not constitute tax-supported debt of the Commonwealth and are not a component of the model for purposes of determining debt capacity.

Commonwealth Debt

Outstanding Tax-Supported Debt
As of December 31, 2000
(Dollars in Thousands)

Tax-Supported Debt Included in the Model [3]		
9(b) General Obligation Bonds		$520,705
Bonds	$520,705	
Commercial Paper	0	
9(c) Revenue-Supported GOBs		$525,486
Higher Education	$380,332	
Transportation	134,144	
Parking Facilities	11,010	
Commercial Paper	0	
9(d) Obligations		$2,821,168
Transportation Board	$943,625	
Virginia Public Building Authority[1]	1,049,984	
Port Authority	102,655	
Virginia College Building Authority Equipment	58,615	
Virginia College Building Authority 21st Century	213,845	
Bonded Capital Leases and Lease Revenue Bonds[2]	256,625	
Regional Jail Reimbursement Agreements	59,671	
Transportation Notes Payable	12,325	
Capital Leases	69,142	
Installment Purchases	54,681	
Total Tax-Supported Debt Included in Model		$3,867,359
Additional Long-Term Obligations Included in the CAFR But Not Included in the Model		
Long-Term Obligations Not Included in Model		$730,743
Compensated Absences	$462,387	
Pension Liability	263,038	
Other Long-Term Liabilities	5,318	
Total Tax-Supported Debt (CAFR Plus Subsequent Issuance)		$4,598,102

(1) Net of unamortized discount

(2) Bonded Capital Leases include the capital lease obligations supporting lease revenue bonds for Innovative Technology Authority, Virginia Biotechnology Research Park Authority, Big Stone Gap Redevelopment and Housing Authority, Norfolk Redevelopment and Housing Authority, Brunswick County Industrial Development Authority , Norfolk Industrial Development Authority and Newport News Industrial Development Authority.

(3) June 30, 2000 Balance Plus Fiscal Year 2001 Issuances through December 31, 2000.

Commonwealth Debt

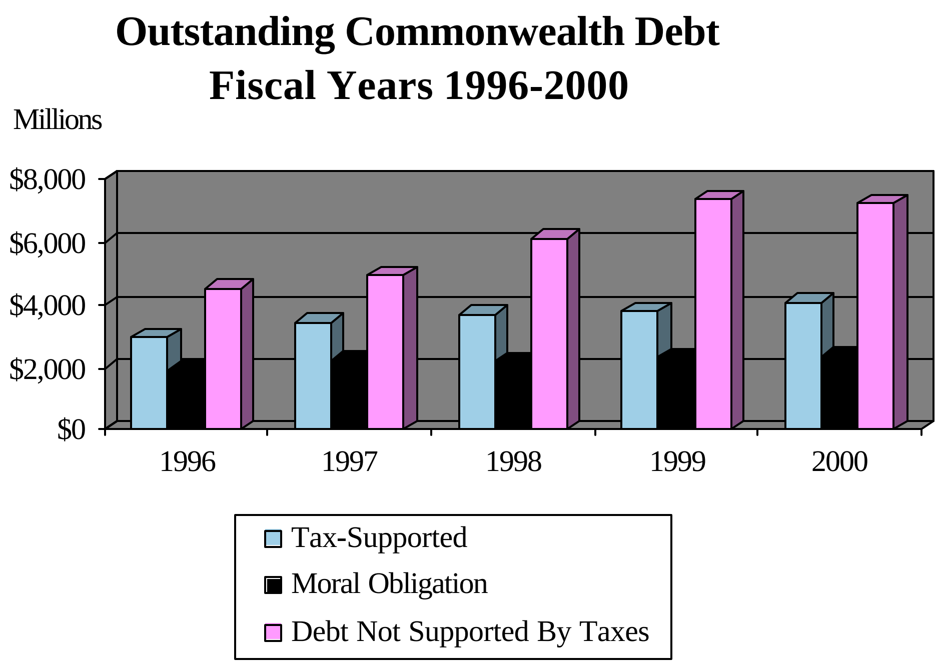
Authorized But Unissued Tax-Supported Debt as of December 31, 2000

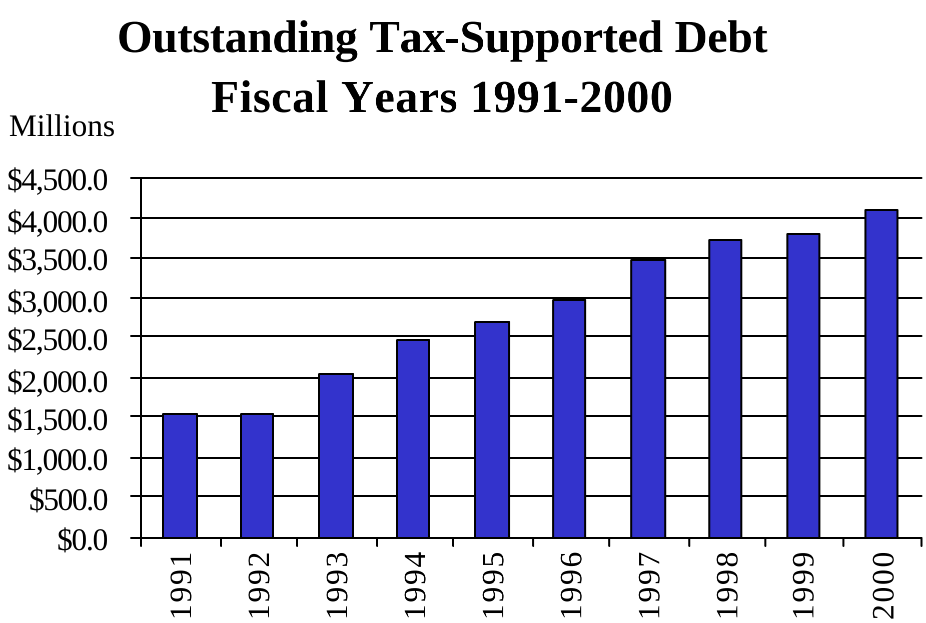
Dollars in Thousands

Section 9(b) Debt:	$	0
Section 9(c) Debt:		
Higher Education Institutions Bonds	$	131,763
Section (9d) Debt:		
Transportation Contract Revenue Bonds (Rt. 28)	$	54,092
Transportation Revenue Bonds (Rt. 58)		102,429
Transportation Revenue Bonds (Northern Virginia Transportation District Program)		176,880
Virginia Public Building Authority - Projects		49,831
Virginia Public Building Authority - Jails		30,146
Virginia College Building Authority - 21st Century Equipment		99,144
Virginia College Building Authority - 21st Century Projects		25,254
Biotech Research Park Authority - Consolidated Lab		48,000
Subtotal 9(d) Debt:	$	585,776
Subtotal Bonded Debt	$	717,539
Other Long-Term Obligations	$	23,695 *
Total	$	741,234

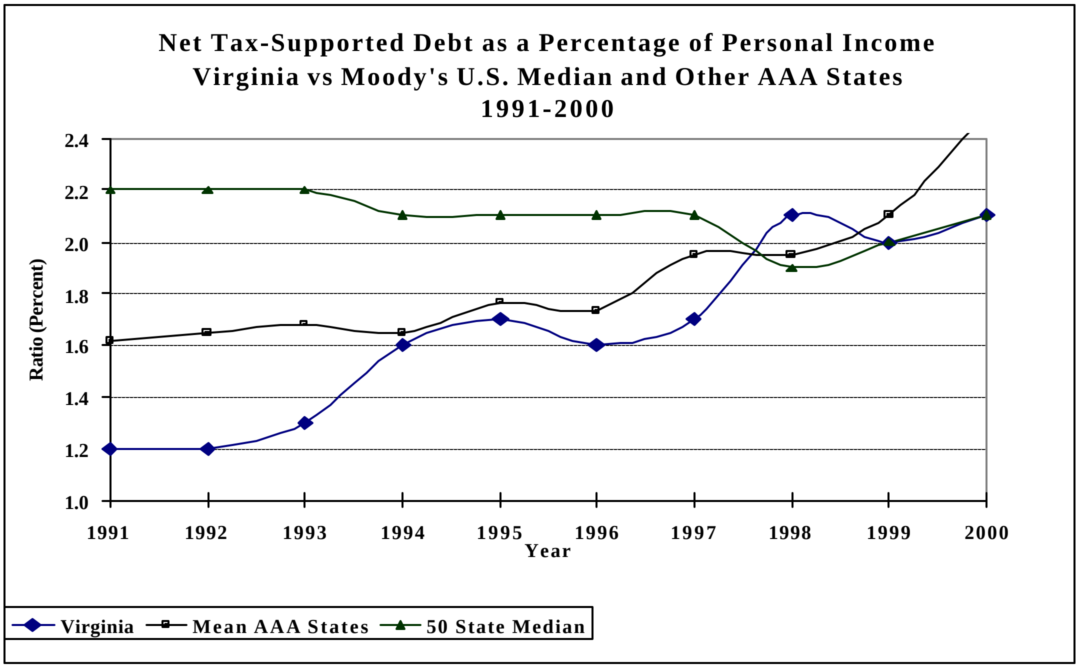
* Capital lease or lease revenue bond project: Public Broadcasting Digital Conversions *(Chapter 1073, 2000 Acts of Assembly)*

Commonwealth Debt

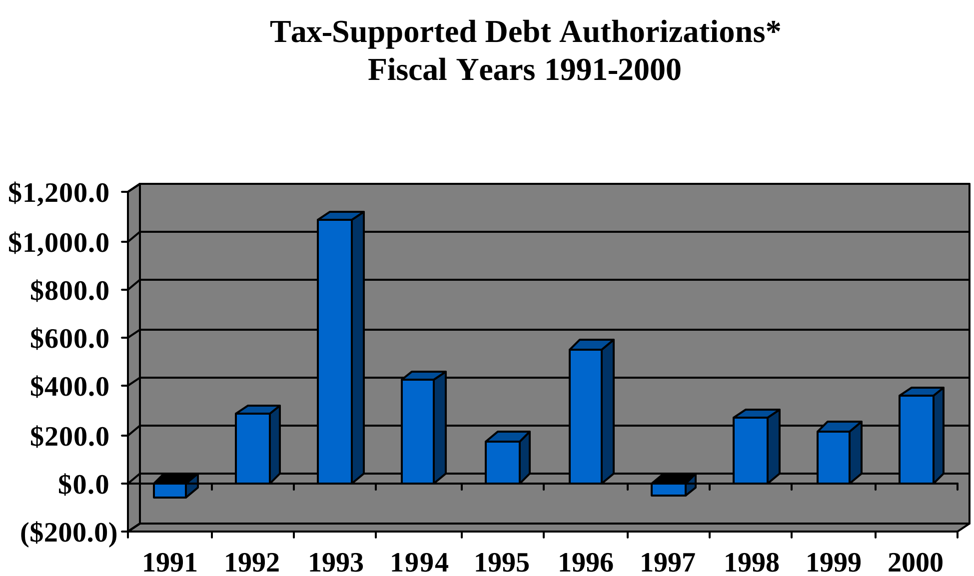




Commonwealth Debt



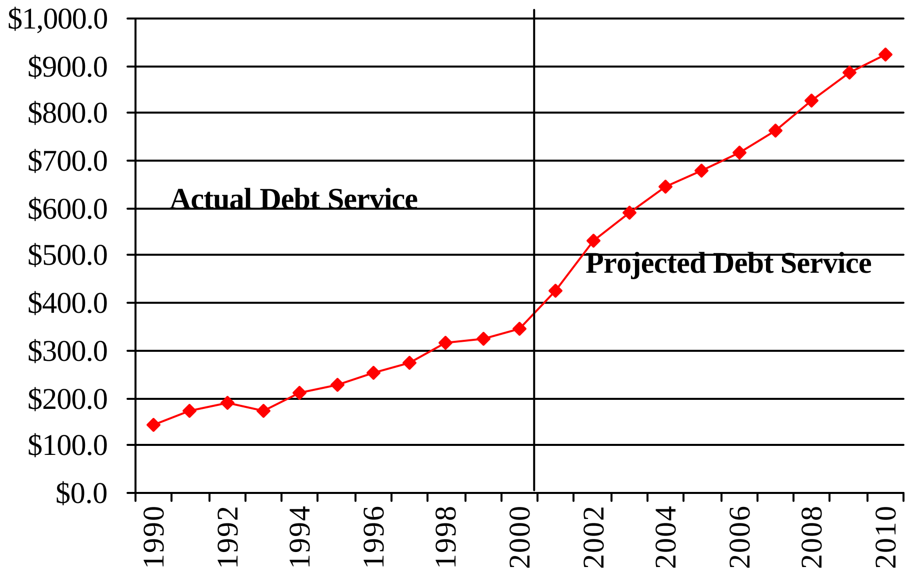
Source: Moody's Investors Service



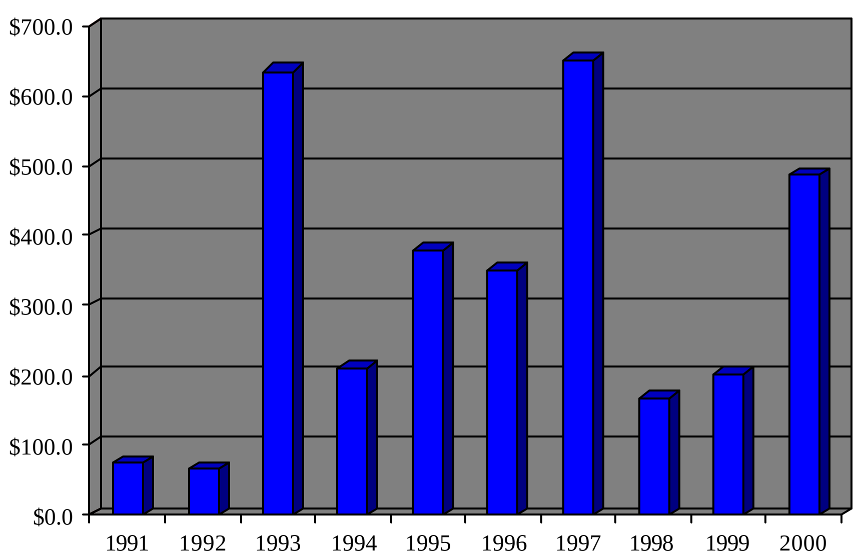
* Does not include rescinded authorizations and other adjustments.

Commonwealth Debt

Tax-Supported Debt Service:Actual and Projected
Fiscal Years 1990 - 2010



Trend in Tax-Supported Debt Issuance
Fiscal Years 1991 - 2000



AAA/Aaa/AAA State Debt Burdens
1993 - 2000

AAA/Aaa/AAA STATE DEBT BURDENS FROM 1993-2000
PROVIDED BY MOODY'S INVESTORS SERVICE

Net Tax-Supported Debt per Capita (1)

	2000	1999	1998	1997	1996	1995	1994	1993
Delaware	1,544	1,581	1,619	1,655	1,715	1,728	1,748	1,563
Maryland	895	953	849	875	832	828	754	725
Georgia	697	679	647	669	-	-	-	-
Utah	693	705	560	301	310	271	248	246
VIRGINIA	**570**	**516**	**519**	**414**	**366**	**370**	**337**	**261**
Minnesota	513	525	489	520	-	-	-	-
South Carolina	347	321	309	305	287	-	-	-
North Carolina	343	273	229	151	142	146	100	104
Missouri	245	233	238	276	255	232	236	234
AAA Median	570	525	519	414	310	321	293	254
AAA Average	650	643	607	574	558	596	571	522

(1) Population is based on Census data from one year prior to each respective year's debt analyzed.

Net Tax-Supported Debt as Percent of Personal Income (2)

	2000	1999	1998	1997	1996	1995	1994	1993
Delaware	5.2	5.7	5.9	6.4	7.6	8.0	8.0	7.5
Utah	3.3	3.6	3.1	1.7	1.8	1.7	1.6	1.7
Maryland	3.0	3.3	3.1	3.3	3.4	3.5	3.3	3.3
Georgia	2.8	2.9	2.9	3.1	-	-	-	-
VIRGINIA	**2.1**	**2.0**	**2.1**	**1.7**	**1.6**	**1.7**	**1.6**	**1.3**
Minnesota	1.9	2.0	1.9	2.2	-	-	-	-
South Carolina	1.6	1.6	1.6	1.6	1.6	-	-	-
North Carolina	1.4	1.2	1.0	0.7	0.7	0.8	0.6	0.6
Missouri	1.0	1.0	1.0	1.3	1.3	1.2	1.2	1.3
AAA Median	2.1	2.0	2.1	1.7	1.6	1.7	1.6	1.5
AAA Average	2.5	2.6	2.5	2.4	2.6	2.8	2.7	2.6

(2) Personal income is based on Census data from two years prior to each respective year's debt analyzed.

Exhibit D

Moral Obligation Debt
And
Contingent Liability Debt

Moral Obligation Debt

- Definition of Moral Obligation Debt:

  Moral obligation debt refers to a bond issue structure originally created in the 1960s and utilized primarily by state housing finance agencies or state-administered municipal bond banks as additional credit enhancement for revenue bond issues. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body "may", but is not legally required to, replenish the reserve fund.

- Rating agencies do not include in tax-supported debt ratios as long as bonds are self-supporting.

- Commonwealth Moral Obligation Debt Issuers:

  –Virginia Resources Authority

  –Virginia Housing Development Authority
  Multi-Family Housing Bonds

  –Virginia Public School Authority - 1991 Resolution

Moral Obligation Debt

Issuer	Statutory Limit	Outstanding At June 30, 2000[1]	Available Authorization
Virginia Resources Authority	$ 550,000	$ 356,063	$ 193,937
Virginia Housing Development Authority	1,500,000	1,430,000	70,000
Virginia Public School Authority	800,000	498,510	301,490
Total	$2,850,000	$2,284,573	$ 565,427

[1] Stated at par.
Dollars in thousands.

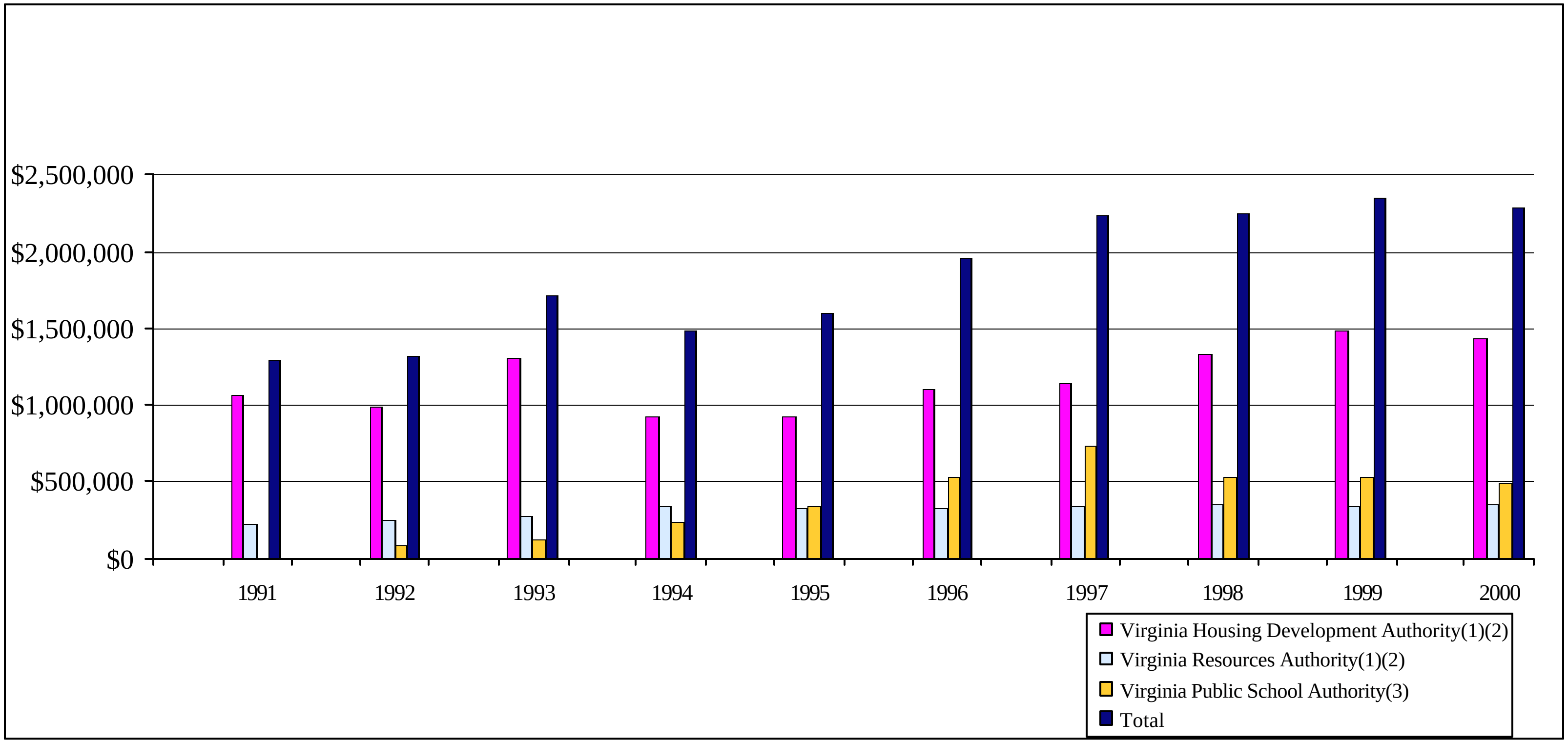
Dates upon which issuers expect to meet or exceed statutory borrowing cap:

VHDA:	NA	- Alternative financing programs initiated in fiscal year 1999 that do not require use of moral obligation. Does not expect to issue additional moral obligation debt.
VRA:	FY 2002	- Assumes issuance of bonds during fiscal year 2001, however, current cap will not be exceeded until fiscal year 2002.
VPSA:	N/A	- Created the 1997 Resolution for pooled bond program. Does not expect to issue additional debt under 1991 Resolution.

Bond Ratings:	Fitch	Moody's	S&P
VHDA (Multi-Family):	N/R	Aa1	AA+
VRA:	N/R	Aa2	AA
VPSA (1991 Resolution):	AA	Aa1	AA

Moral Obligation Debt

Outstanding Moral Obligation Debt
Fiscal Years 1991 - 2000
(Dollars in Thousands)



Contingent or Limited Liability Debt

- The only non-tax-supported debt obligations for which the Commonwealth has a contingent or limited liability are those which utilize a "sum sufficient appropriation" (SSA) to pay debt service.

- SSA was previously only used on certain revenue bonds issued by the Virginia Public School Authority under its 1997 Resolution. The Virginia Public School Authority had $769,620,000 of 1997 Resolution bonds outstanding as of June 30, 2000.

- The 2000 Appropriation Act (Chapter 1073) authorized the use of SSA for certain revenue notes issued by the Virginia Public School Authority under its Educational Technology Program. The Virginia Public School Authority expects to issue its first series of notes enhanced by the SSA in the Spring of 2001.

Bond Ratings:	Fitch	Moody's	S&P
VPSA (1997 Resolution):	AA+	Aa1	AA+

Moral Obligation Debt

Excess Capacity Sensitivity

- The current Model solution provides for two years of excess capacity remaining at end of the 10-year period (excluding moral obligation debt) which results in annual debt capacity of $698.00 million.

Total Moral Obligation Debt Sensitivity

- If the Model solution is altered to assume conversion of the entire $2.85 billion statutory cap for all moral obligation debt to tax-supported debt, the following annual debt capacity figures are produced:
  - Debt service as percentage of revenues peaks at 5.31% in fiscal year 2002, ultimately falling below 5% in fiscal year 2004. As a result, there is no capacity to authorize debt until fiscal year 2004.
  - $320.13 million of debt can be authorized and issued in fiscal year 2004. Capacity increases in fiscal year 2005 allowing $598.87 million of annual debt capacity to be available during fiscal years 2005 through 2010.

VHDA Sensitivity

- If the Model solution is altered to assume conversion of the VHDA's total outstanding moral obligation debt (as of 6/30/00) to tax-supported debt, the following annual debt capacity figures are produced:
  - Debt service as percentage of revenues peaks at 4.99% in fiscal year 2003.
  - $565.95 million of annual debt capacity is available for the ten year period of the Model.

Moral Obligation Debt

VRA Sensitivity

- If the Model solution is altered to assume conversion of the VRA's total statutory moral obligation cap of $550 million to tax-supported debt, the following annual debt capacity figures are produced:
  - Debt service as percentage of revenues peaks at 4.60% in fiscal year 2004. $647.21 million of annual debt capacity is available for the ten year period of the Model.

VPSA Sensitivity

- If the Model solution is altered to assume conversion of the VPSA's total outstanding moral obligation debt (as of 6/30/00) to tax-supported debt, the following annual debt capacity figures are produced:
  - Debt service as percentage of revenues peaks at 4.62 % in fiscal year 2004. $654.34 million of annual debt capacity is available for the ten-year period of the Model.

Sum Sufficient Appropriation Sensitivity

VPSA Sensitivity

- If the Model solution is altered to assume conversion of the VPSA's total outstanding debt secured by a sum sufficient appropriation (1997 Resolution debt as of 6/30/00) to tax-supported debt, the following annual debt capacity figures are produced:
  - Debt service as percentage of revenues peaks at 4.93% in fiscal year 2004. $599.33 million of annual debt capacity is available during the ten-year period of the Model.

ATTACHMENTS E AND F ARE MAINTAINED AT THE DEPARTMENT OF THE TREASURY AND ARE AVAILBLE UPON REQUEST. (804) 371-6235

Exhibit E

Virginia Resources Authority Presentation

ATTACHMENTS E AND F ARE MAINTAINED AT THE DEPARTMENT OF THE TREASURY AND ARE AVAILBLE UPON REQUEST. (804) 371-6235

Exhibit F

Department of Transportation GARVEE Presentation (Federal Highway Reimbursement Anticipation Notes)